

# ***South Idaho 2012 Cereal Grains School***

***Feb 7-10, 2012***

***Burley, Pocatello, Idaho Falls,  
Ashton, Preston, ID***

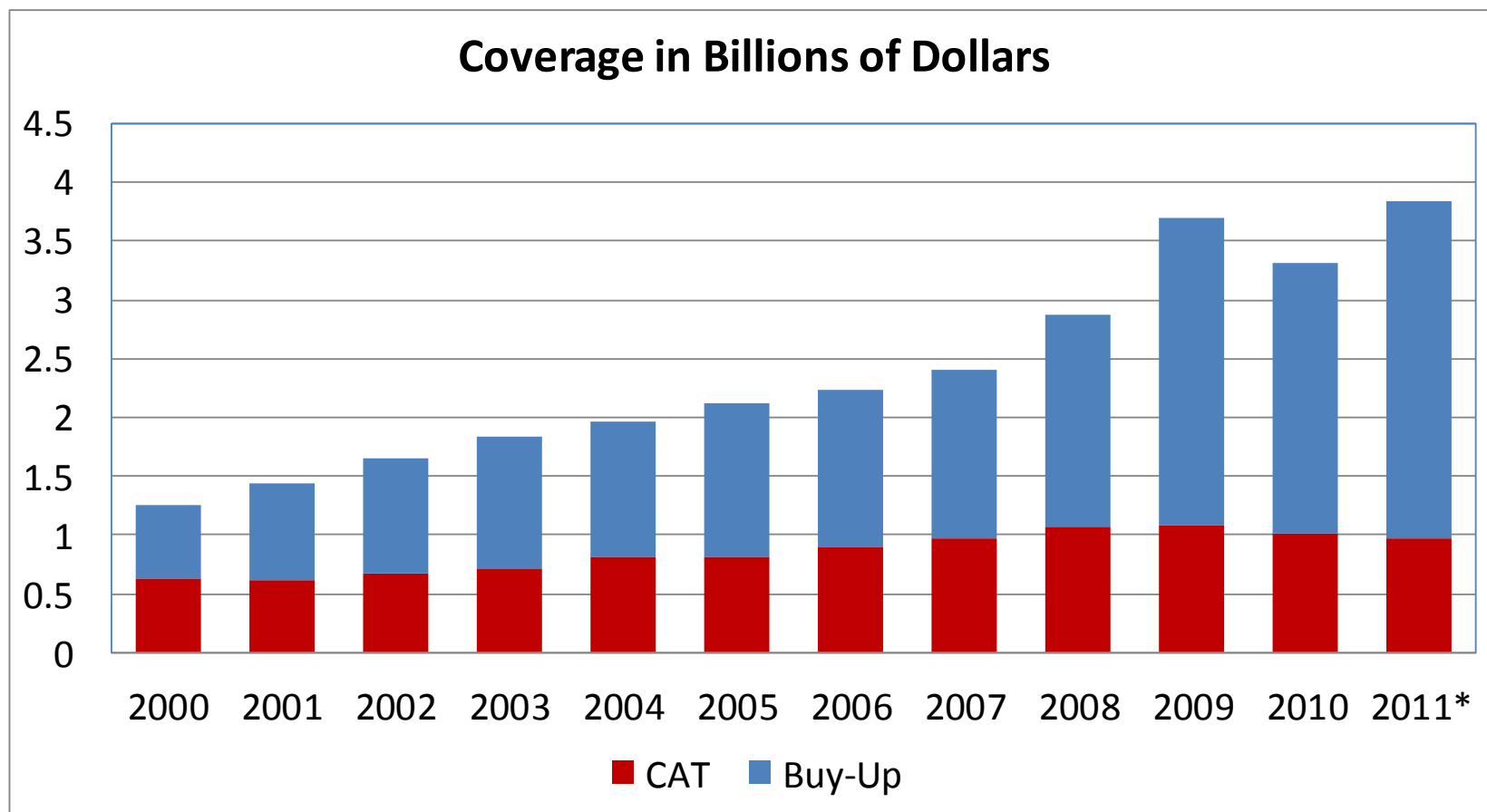




# Overview

- Crop Insurance Participation
- Insurance Plans
- Insurance Basics
- Wheat Update
- Barley Update
- Additional Policy Information
- Program Integrity

# PNW **Total** Crop Insurance Participation

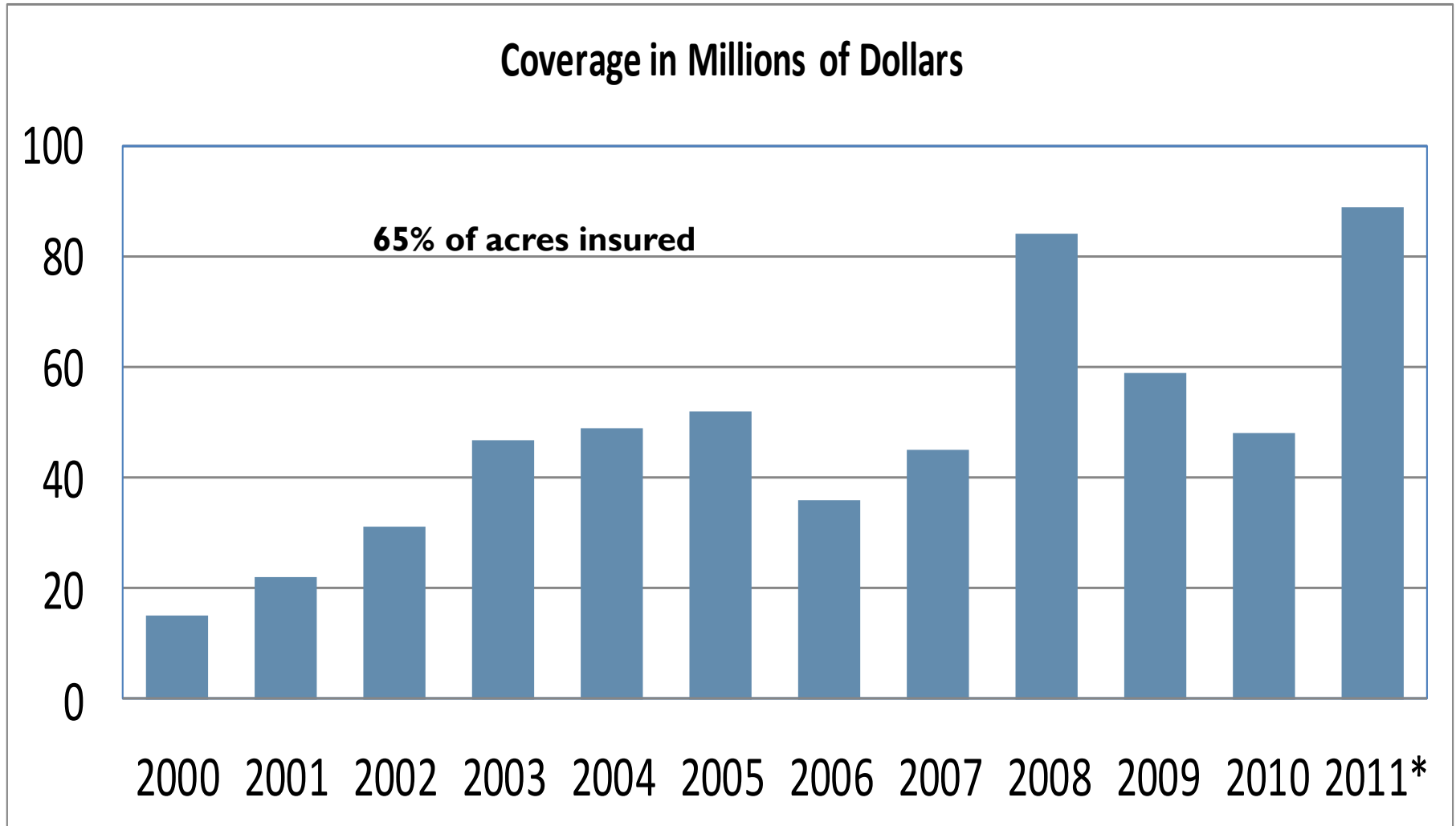


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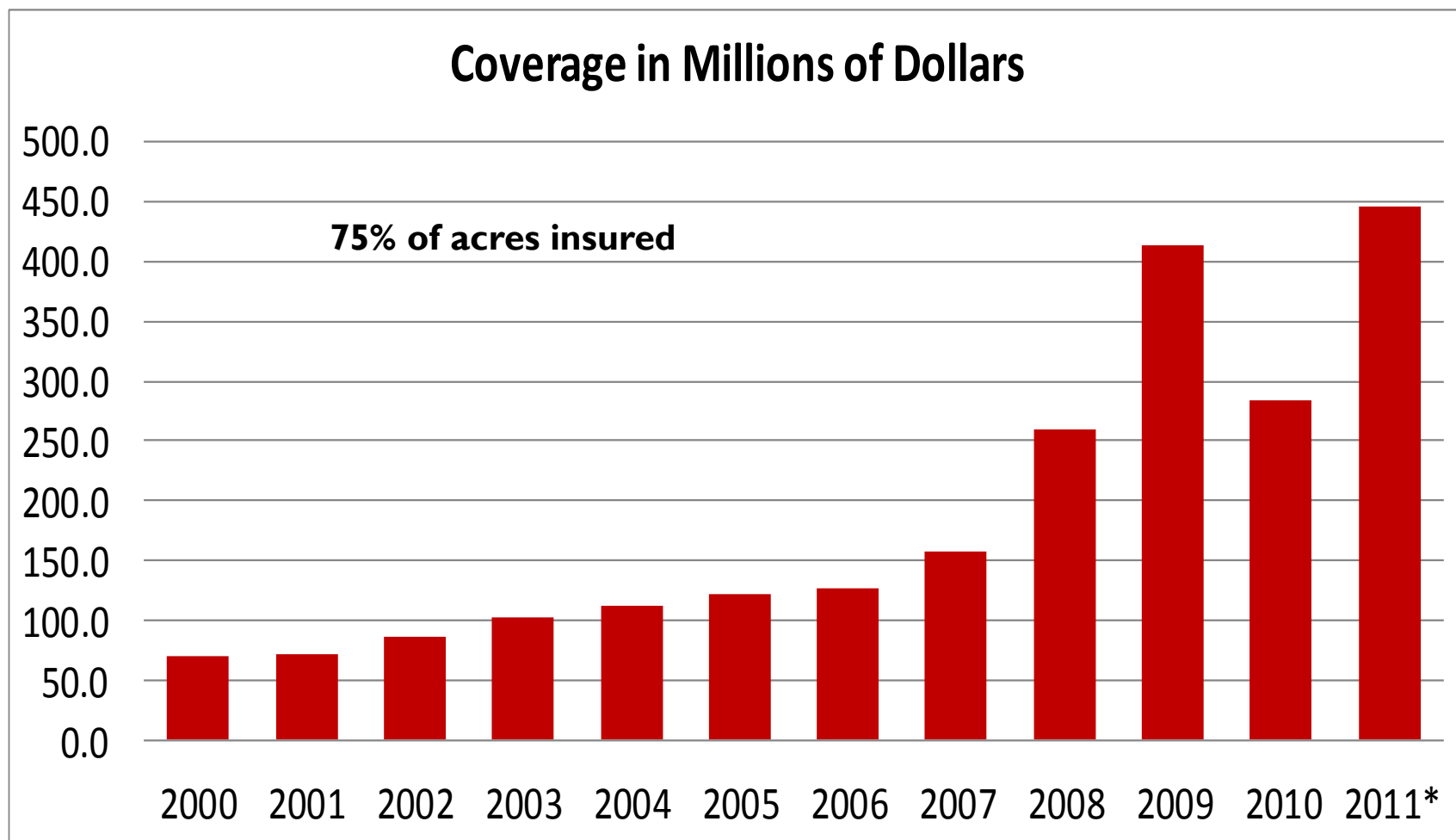
Updated 2/2011

# Idaho Barley Crop Insurance Participation



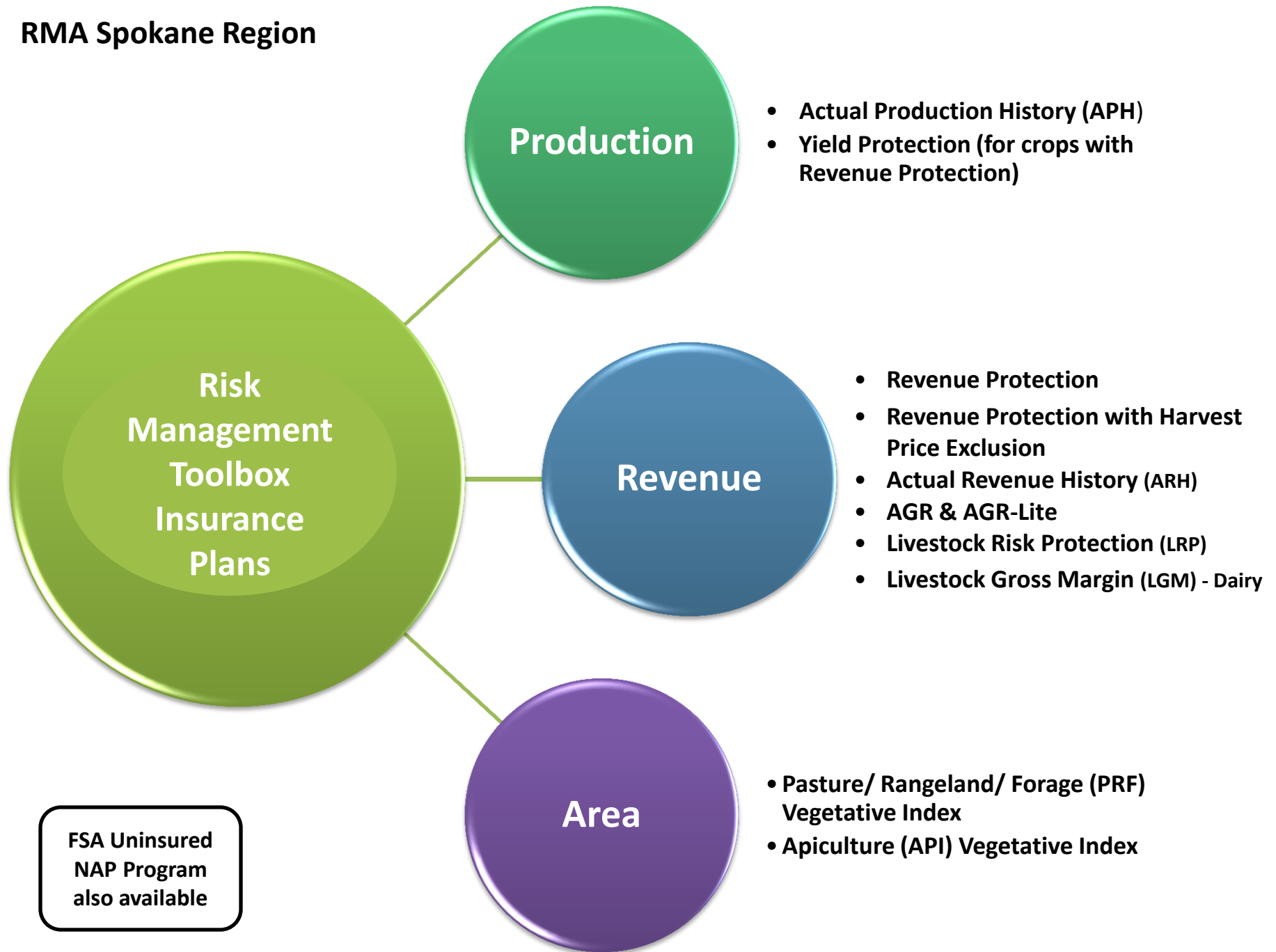
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# Idaho Wheat Crop Insurance Participation



•data not final

## RMA Spokane Region





# Multiple Peril Crop Insurance (MPCI)

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Federally subsidized and insures against many weather-related losses

MPCI Yield and Revenue Policies provide protection against production loss, price decline or increase or a combination of both.

# MPCI Definitions

- **Actual Production History (APH):** The amount of production from a farm unit (by P/T/) used to determine the insurance production guarantee
  - 4 years build to 10 years to compute the actual average yield on each unit by practice and type.
  - Yield adjustments may apply
- **Transitional yields (T-Yields):** Historic 10 year county average yield, used when you have no yield history.



# Basic Example of APH:

<b>Crop: Barley</b> <b>Type: Malting (Spring)</b> <b>Practice: Irrigated</b>			<b>Unit</b> <b>0001-0001 OU</b>
<b>Section: 7</b> <b>Township: 2N</b> <b>Range: 2W</b>			
<b>Year</b>	<b>Production (Bu.)</b>	<b>Acres</b>	<b>Yield</b>
<b>2006</b>	<b>31,680</b>	<b>264</b>	<b>120</b>
<b>2007</b>	<b>51,084</b>	<b>396</b>	<b>129</b>
<b>2008</b>	<b>43,560</b>	<b>396</b>	<b>50</b>
<b>2009</b>	<b>17,160</b>	<b>132</b>	<b>130</b>
<b>2010</b>	<b>34,584</b>	<b>264</b>	<b>131</b>
			<b>Total = 560</b>
<b>Preliminary Yield</b> <b>560 / 5 years = 112</b>			<b>Approved Yield</b> <b>112</b>

# Basic Example of APH Yield Adjustment:

<b>Crop: Barley</b> <b>Type: Malting (Spring)</b> <b>Practice: Irrigated</b>			<b>Unit</b> <b>0001-0001 OU</b>
<b>Section: 7</b> <b>Township: 2N</b> <b>Range: 2W</b>			
Year	Production (Bu.)	Acres	Yield
2006	31,680	264	120
2007	51,084	396	129
2008	43,560	396	50
2009	17,160	132	130
2010	34,584	264	131
			Total = 560
<b>Preliminary Yield</b> <b>560 / 5 years = 124</b>			<b>Approved Yield</b> <b>112</b>

<b>Insureds may elect the APH YA and substitute 60 percent of the applicable T-Yield for low actual yields caused by drought, flood, or other natural disasters.</b>	
<b>T-Yield of 120</b> $\times 60\%$ <b>= 72</b>	<b>Yield</b>
	120
	129
	72
	130
	131
	<b>Total = 582</b>
<b>Preliminary Yield</b> <b>582 / 5 years = 116</b>	<b>Approved Yield</b> <b>116</b>

# Developing Yields & Guarantees

Producer can select a guaranteed **Coverage Level** of 50% to 85% (increments of 5%).

For example, if your unit APH is 64 bu / acre, and you select:

- 80% coverage, then  $64 \text{ bu} \times 80\% = 51.2 \text{ bu / ac}$  **yield protection guarantee**
- 100% price (\$8.05 / bu) x 51 bu / ac guarantee  
**= \$411 / acre value of bushel guarantee**

When production falls below the guarantee for yield protection, indemnity payments begin at \$8.05 for every bushel below the guarantee.



# Wheat Unit Structure

## Basic Units

11

12

Variable Unit Discount

14

13

## Optional -- if meet conditions

Furthest breakdown and most expensive

## Enterprise -- all of a crop

Variable Unit Discount +  
Additional Subsidy

Coverage and losses  
are determined at a  
unit level

## CF



Field Number / Share

Owner / Operator

**Share Rent (2/3 Smith / 1/3 Green)**



# BASIC UNITS

- CROP
- COUNTY
- SHARE
- CAT – only basic units

Generally what everyone starts with



## Basic Units -- 2 Units

CRP

Neville Springs

Creek

29

21

22

23

FA

26

28

27

CO-OP

ELEC

STANDARD

33

34

Creek

Packsaddle

Hollow

G H E E  
Div.)

Ramme

North Fork

Owner / Operator

Share Rent (2/3 Smith / 1/3 Green)

Hollow

FALL

15 KV

# OPTIONAL UNITS

Basic Units can be broken down into Optional Units by:

Practice (I-NI, Organic)

Legally identifiable section

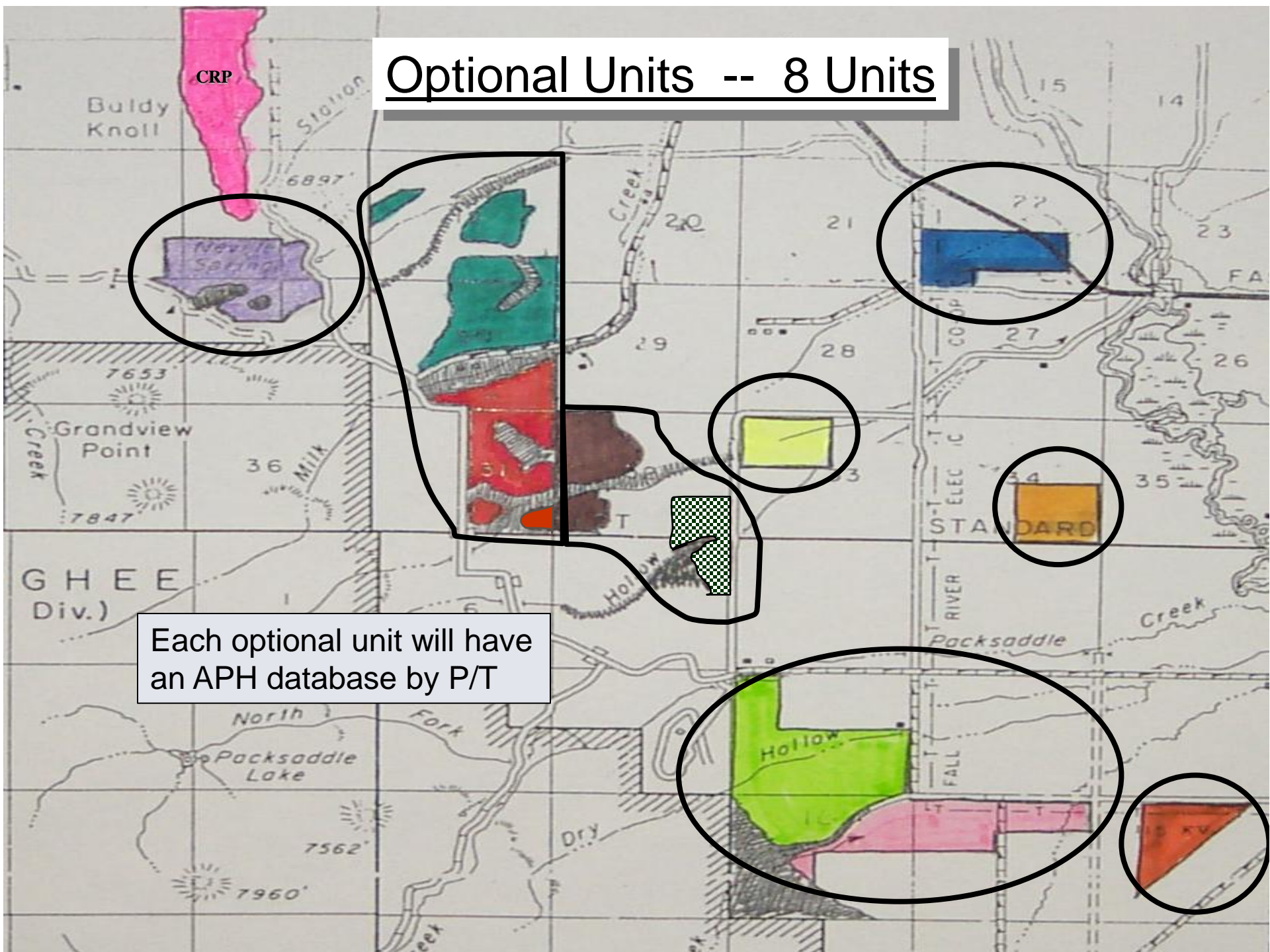
Crop type when applicable (winter/spring for wheat)

Require separate records





## Optional Units -- 8 Units



Each optional unit will have an APH database by P/T

# ENTERPRISE UNIT

Basic and/or optional units can be combined at the Enterprise Unit Level

The EU must contain all of the insurable acreage of the same insured crop in:

- 1 Two or more sections
- 2 Each section used to qualify for the EU must have planted acreage that constitutes at least the lesser of 20 acres or 20 percent of the insured crop acreage in the EU. If there is planted acreage in more than two sections, these can be aggregated to form at least two parcels to meet this requirement.

Enterprise units may be elected only:

For crops for which revenue protection is available, or, if allowed by the SPOI.

**Additional Premium Subsidy May Apply**





# Enterprise Units -- 1 Unit

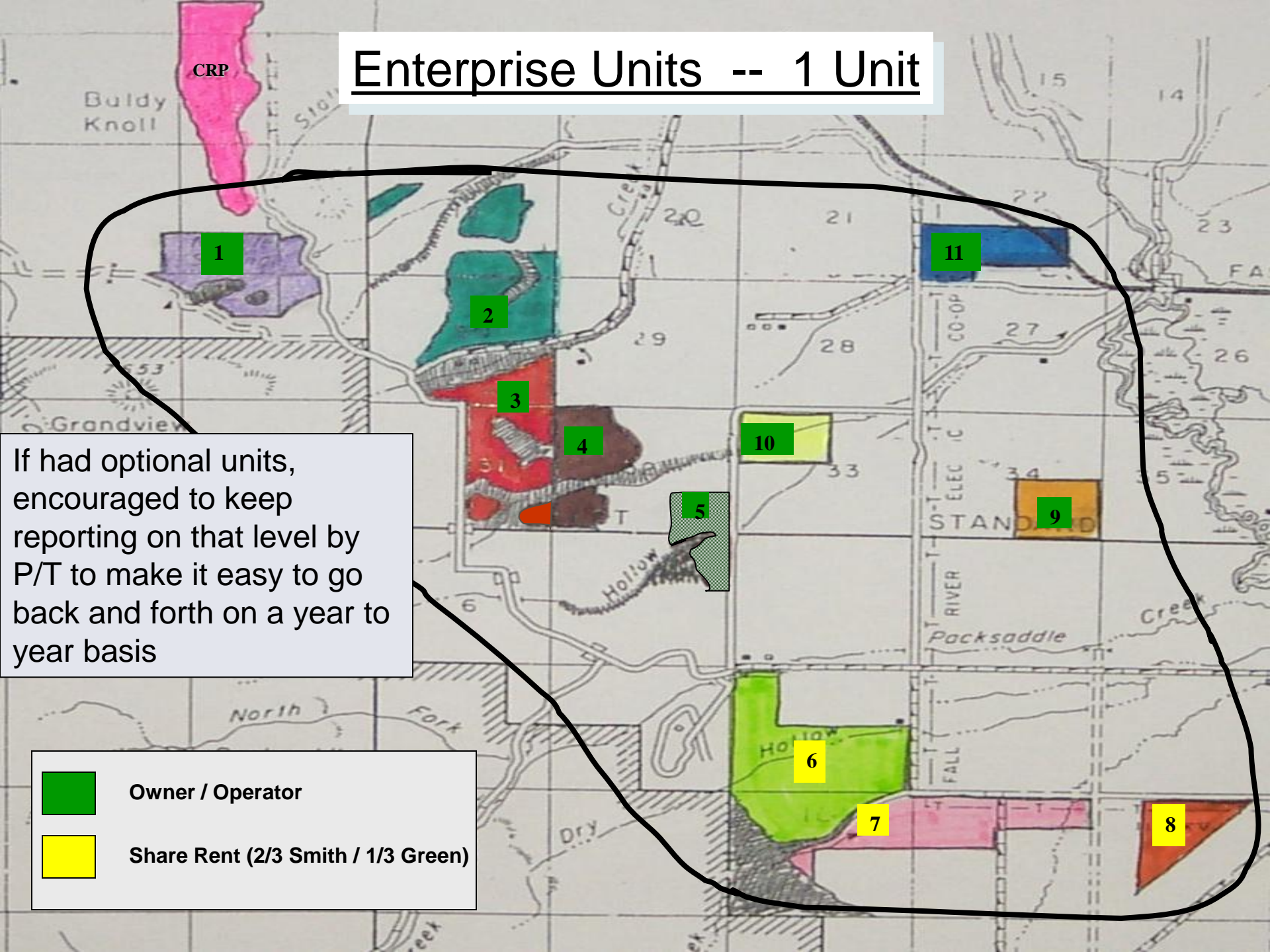
If had optional units,  
encouraged to keep  
reporting on that level by  
P/T to make it easy to go  
back and forth on a year to  
year basis



Owner / Operator

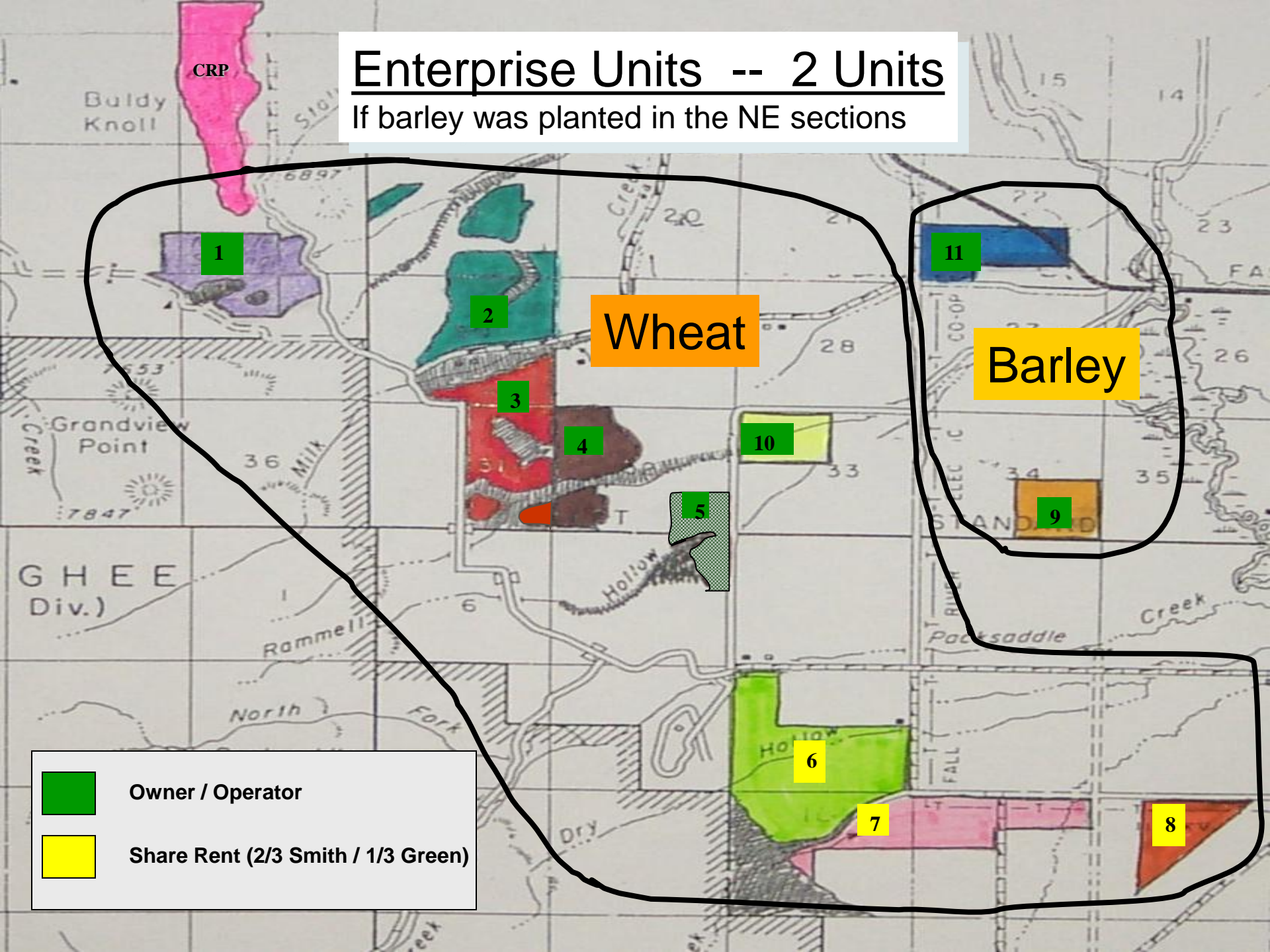


Share Rent (2/3 Smith / 1/3 Green)



# Enterprise Units -- 2 Units

If barley was planted in the NE sections



# Subsidy Factors

Coverage Level		0.50	0.55	0.60	0.65	0.70	0.75	0.80	0.85
Subsidy Factor	Basic / Optional Unit	0.670	0.640	0.640	0.590	0.590	0.550	0.480	0.380
	Enterprise Unit	0.800	0.800	0.800	0.800	0.800	0.770	0.680	0.530

So at 75% Coverage

If total premium was \$1,000

Producer paid premium = \$450 w/o Enterprise Units

Producer paid premium = \$230 w Enterprise Units

Just understand what you are getting... in an enterprise unit all acres and production of the insured crop are considered as one unit when determining whether or not a loss is paid



# COMBO

## Common Crop Insurance Policy

(Last year's changes carried forward)



One of the most significant program simplification initiatives in our history



# General Benefits

- **Combined**

- A lot of policies and procedures into single programs  
For example, there is no longer multiple programs like CRC, RA, IP, or Basic.....it is either Yield Protection or Revenue Protection

- **Uniform**

- Policy Acceptance System Requirements (more efficient for the insurance companies)
- Rating Methodology
- Premium Calculation
- Price Discovery (how prices are determined)



# Yield and Revenue Protection Options – Wheat and Barley

- Yield Protection
  - Guarantee based on the projected price (approved APH yield x coverage level x projected price)
- Revenue Protection
  - Guarantee based on the higher of the projected or harvest price. Upside and downside price protection.
- Revenue Protection with Harvest Price Exclusion
  - Guarantee based on the projected price only. Only downside price protection.





**YPP**

**RPP**

**RPHPE**

**Yield Protection Plan**

**Revenue Protection Plan**

**Revenue Protection Plan with Harvest  
Price Exclusion**

## Assume Decrease in Harvest Price

Assume: Decrease in Harvest Price

92 bu/ac average yield

80% Coverage Level

70 bu/ac harvested production

**\$8.05** Projected Price

**\$6.00** Harvest Price

YPP	RPP	RPHPE	<u>Decrease in Harvest Price</u>
Prod.	Prod.	Prod.	
Loss	Loss	Loss	Projected Price = <b>\$8.05</b> Harvest Price = <b>\$6.00</b>
92	92	92	Bu/Ac APH
0.80	0.80	0.80	Coverage Level
73.6	73.6	73.6	Bu/Ac Production Guarantee
<b>\$8.05</b>		<b>\$8.05</b>	Projected Price
	<b>\$8.05</b>		Higher of <b>Projected Price</b> or <b>Harvest Price</b>
\$592	\$592	\$592	Yield/Revenue Protection Guarantee/Acre
70	70	70	Bu/Ac Harvested Production to Count
<b>\$8.05</b>			Projected Price
	<b>\$6.00</b>	<b>\$6.00</b>	Announced Harvest Price
\$564	\$420	\$420	Value of Production to Count
\$ 592	\$ 592	\$ 592	Yield/Revenue Protection Guarantee/Acre
\$ 564	\$ 420	\$ 420	Value of Production to Count
\$29	\$172	\$172	Per Acre Loss Payment



**YPP**

**RPP**

**RPHPE**

**Yield Protection Plan**

**Revenue Protection Plan**

**Revenue Protection Plan with Harvest  
Price Exclusion**

## Assume Increase in Harvest Price

Assume: Increase in Harvest Price

92 bu/ac average yield

80% Coverage Level

70 bu/ac harvested production

**\$8.05 Projected Price**

**\$9.00 Harvest Price**

YPP Prod. Loss	RPP Prod. Loss	RPHPE Prod. Loss	<u>Increase in Harvest Price</u>  Projected Price = <b>\$8.05</b> Harvest Price = <b>\$9.00</b>
92	92	92	Bu/Ac APH
0.80	0.80	0.80	Coverage Level
73.6	73.6	73.6	Bu/Ac Production Guarantee
<b>\$8.05</b>		<b>\$8.05</b>	Projected Price
	<b>\$9.00</b>		Higher of <b>Projected Price</b> or <b>Harvest Price</b>
\$592	\$662	\$592	Yield/Revenue Protection Guarantee/Acre
70	70	70	Bu/Ac Harvested Production to Count
<b>\$8.05</b>			Projected Price
	<b>\$9.00</b>	<b>\$9.00</b>	Announced Harvest Price
\$564	\$630	\$630	Value of Production to Count
\$ 592	\$ 662	\$ 592	Yield/Revenue Protection Guarantee/Acre
\$ 564	\$ 630	\$ 630	Value of Production to Count
\$29	\$32	\$0	Per Acre Loss Payment



# PRICE DETERMINATION

## PRICE DETERMINATION:

Both the Revenue and Yield Protection plans will use regional exchanges to derive

- The projected price
  - used to establish the insurance guarantee and premium for the crop
- The harvest price
  - used to value production to count under the Revenue Protection Plan.

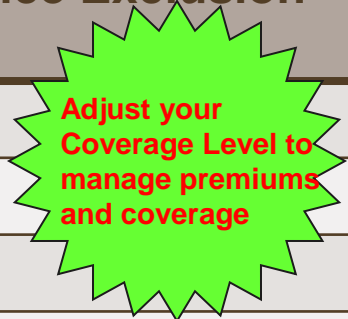


**Bonneville CO ID Producer Premium**  
**Comparison by Unit Structure \*varies by**  
**county/yield/acres etc.**

<b>WHEAT</b> (80% coverage level)	<b>Yield Protection (YP) \$/ac</b>	<b>Revenue Protection (RP) \$/ac</b>	<b>Revenue Protection with Harvest Price Exclusion (RPE) \$/ac</b>
Basic Unit	\$19.64	\$34.65	\$27.58
Optional Unit	\$24.60	\$39.61	\$32.54
Enterprise Unit	\$11.02	\$20.25	\$15.91
Whole Farm Unit	Not available for YP	\$14.34	\$10.99

<b>BARLEY</b> (80% coverage level)	<b>Yield Protection (YP) \$/ac</b>	<b>Revenue Protection (RP) \$/ac</b>	<b>Revenue Protection with Harvest Price Exclusion (RPE) \$/ac</b>
Basic Unit	\$20.63	\$32.79	\$27.27
Optional Unit	\$22.93	\$35.08	\$29.56
Enterprise Unit	\$9.20	\$16.69	\$13.29
Whole Farm Unit	Not available for YP	\$10.10	\$7.74
MB Opt A @ \$1.25 / Opt B @ \$2.00	\$7.00/ \$11.22	\$7.00/ \$11.22	\$7.00/ \$11.22



**Example: Spring Wheat Irrigated – 85 bu avg / Spring Irrigated Malting Barley (Option B) 92 bu/ac avg**



**Feed Barley**  
**Winter Barley**  
**Specialty Barley**  
**Malt Barley**





# Barley Projected and Harvest Prices

- Projected price - The average daily settlement price for the projected price discovery period (matched to the planting period) for the harvest year's futures contract, multiplied by a factor\*\* used to convert the corn contract price to a barley price.
  - The projected price will be released no later than three business days following the end of the projected price discovery period.
- Harvest price - The average daily settlement price for the harvest price discovery period (matched to the harvest period) for the harvest year's futures contract, multiplied by a factor\*\* used to convert the corn contract price to a barley price
  - The harvest price will be released no later than three business days following the end of the harvest price discovery period.

**\*\*The factor will be based** on the historical relationship between the corn futures contract price and the season average cash price for barley.



# Price Discovery Barley with 9/30 SCD

[illegible]

# Price Discovery Barley with 3/15 SCD

BARLEY – March 15 Sales Closing Date				Projected Price Discovery Period #		Harvest Price Discovery Period	
State (Type(s))	Commodity Exchange	Contract Commodity	Contract Month	Beginning Date	Ending Date*	Beginning Date	Ending Date
Alaska	CBOT	Corn	December	Feb 1	Feb 28	Sep 1	Sep 30
California	CBOT	Corn	December	Feb 1	Feb 28	Sep 1	Sep 30
Colorado (Spring types)	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Idaho (Winter types w/o Winter Coverage Endorsement)	CBOT	Corn	September	Aug 15	Sep 14	Aug 1	Aug 31
Idaho (Spring types)	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Iowa	CBOT	Corn	September	Feb 1	Feb 28	Jul 1	Jul 31
Kansas (Spring type)	CBOT	Corn	July	Feb 1	Feb 28	Jun 1	Jun 30
Maine	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Michigan	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Minnesota	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Montana	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Nebraska	CBOT	Corn	September	Feb 1	Feb 28	Jul 1	Jul 31
Nevada	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
New York (Spring type)	CBOT	Corn	September	Feb 1	Feb 28	Jul 1	Jul 31
North Dakota	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Oregon (Winter types w/o Winter Coverage Endorsement)	CBOT	Corn	September	Aug 15	Sep 14	Aug 1	Aug 31
Oregon (Spring types)	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Pennsylvania (Spring type)	CBOT	Corn	September	Feb 1	Feb 28	Jul 1	Jul 31
South Dakota	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Utah	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Vermont	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Washington (Winter types w/o Winter Coverage Endorsement)	CBOT	Corn	September	Aug 15	Sep 14	Aug 1	Aug 31
Washington (Spring types)	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Wisconsin	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31
Wyoming	CBOT	Corn	September	Feb 1	Feb 28	Aug 1	Aug 31 <sup>2</sup>
# The Projected Price Discovery Period utilizes the pre-harvest year's average daily settlement price for ID, OR & WA Winter types coverage w/o Winter Coverage Endorsement							
*February 28 Ending Date is extended to February 29 in leap years.							





## When is the ‘Winter’ Barley Price Applicable?

- The prices follow the type code insured.
- Ten counties’ crop programs (Ada, Canyon, Cassia, Elmore, Gem, Jerome, Minidoka, Nez Perce, Payette, Twin Falls ) recognize winter types of barley.
  - These winter types correspond to the winter ‘Type(s)’ designation within the CEPP, thus acreage of ‘All Others (Winter)’ or ‘Malting (Winter)’ in these counties would utilize the prices of the ‘Winter’ type.
- Fall planted barley acreage in counties other than those mentioned above, is insurable “as a spring type” contingent upon satisfying the relevant policy conditions.
- Prices determined according to the CEPP for Spring type(s) of Barley would therefore be applicable to any of the spring types filed in the county actuarial documents
  - **Unless the insured has elected to insure under a contract price option discussed later.**

# Price Discovery for Winter Barley Crop Year 2012 Projected Price

Beginning of crop  
year.....to base  
insurance coverage on

## Criteria Selection

Crop Year: 2012  
Commodity: Barley  
Insurance Plan: Revenue Protection  
Type: Winter  
Practice: All  
State: Idaho  
Cancel Date: 3/15/2012

[Select New Criteria](#)

RMA calculated values are not final until the discovery period has ended and the price is approved.

**Approved Projected Price: \$6.33**


**Approved Volatility<sup>1</sup>: 0.27**

Daily Ending Market Values  
Provided by [Barchart.com](#)

Exchange: CBOT  
Discovery Period: 8/15/2011 to 9/14/2011

Date	Ending Value	Price
08/15	6.8800	6.2100
08/16	6.9650	6.2500
08/17	6.9550	6.2600
08/18	6.8200	6.2400
08/19	6.9175	6.2400
08/22	7.0000	6.2500
08/23	7.0450	6.2700
08/24	7.0075	6.2800
08/25	6.9900	6.2800
08/26	7.1400	6.2900
08/29	7.1650	6.3100
08/30	7.2125	6.3300
08/31	7.1600	6.3400
09/01	6.8850	6.3300
09/02	7.0500	6.3300
09/06	7.0875	6.3400
09/07	7.0575	6.3400
09/08	6.9600	6.3400
09/09	6.9950	6.3400
09/12	7.0500	6.3400
09/13	6.8475	6.3300
09/14	6.9325	6.3300

- (1) Calculated from the last 5 days in the discovery period  
(2) Reflects the simple average of the Ending Values, up to the given date, multiplied by an adjustment equal to: 0.9030



# Decision Time: Lots of Options

## County the crop is grown in:

1. Both Winter and Spring types are insurable in the following counties:

- a) Idaho: Ada, Canyon, Cassia, Elmore, Gem, Jerome, Minidoka, Nez Perce, Payette, Twin Falls

**NOTE: Needs to be an approved winter variety as noted in the Special Provisions if Winter Coverage Endorsement (WCE) is selected**

2. In all other barley counties, the crop is insurable under the Spring type only. Winter types require inspection.
3. Written Agreement can be used to obtain Winter Coverage for a winter type if not located in one of the “winter counties” or to obtain general barley coverage if located in a non-barley county.  
**Due by Sales Closing Date**



# Winter Barley

## Winter Coverage Endorsement (WCE)

- Coverage begins on the fall final planting date. Coverage ends on the spring final planting date.
- Whenever any winter wheat or barley is damaged and does not have an adequate stand to produce at least 90 percent of the production guarantee, you have three options:
  1. Continue to care for the damaged crop -- maintain the winter guarantee,
  2. Replant the damaged acreage to an appropriate variety of the crop and receive a replanting payment, and maintain the winter guarantee,
  3. Destroy the remaining crop and accept an appraisal for the damaged that will count against the unit guarantee. (This acreage may be used for any purpose; including planting and separately insuring another crop **[NOTE: 1<sup>st</sup> / 2<sup>nd</sup> Crop Procedure may apply]**); If the acreage is destroyed and planted to a spring type of the same crop, you must;
    - a. Plant with a discernable break,
    - b. For planting, storage, and marketing, keep the spring type separate from the winter type.



# Winter Barley

## Winter Barley - Replanting (WCE continued)


In barley counties with both fall and spring final planting dates, a replanting payment may be made to replant failed winter barley with winter barley if:

1. An appraisal shows the production potential is less than 90 percent of the production guarantee for the acreage;
2. The replanted acreage is at least 20 acres or 20 percent of the insured planted acreage in the unit; and
3. Damage occurred after the fall final planting date.
  - In the case where the Approved Insurance Provider can determine dry conditions causing damage continued to occur well after the fall final planting date, this requirement could be met.
  - However, in cases where conditions were favorable from the final planting date on, this requirement would not be met and no replanting payment can be made.



# Winter Barley


- Producer Options If Winter Coverage Endorsement (WCE) Not Elected
  1. Any winter barley that is damaged before the spring final planting date must be replanted to a winter type of winter barley to maintain insurance based on the winter type unless the insurance company agrees replanting is not practical.  
***(replant payment not applicable)***
  2. If it is not practical to replant to the winter type but it is to a spring type, you must do so to keep your winter guarantee.
  3. If it was practical to replant winter barley and you still planted a spring type, then the crop will be insured as the spring type.



# Specialty Type Barley History

- Specialty Type grain is defined as “types of grain that generally have specific desirable quality attributes and that generally command a premium price in the market of traditional commodities”
- 2006 NBGA (and Idaho Barley Commission) requested RMA to research specialty type barley
- RMA contracted for study of specialty types of barley
- The contractor identified specialty barley and types that should be insured
  - Using contract price only, and requiring separate APH's






# Specialty Type Barley Specifics (cont.)


- Malting - Barley varieties approved for malting by the American Malting Barley Association for the current crop year, or any variety grown under the terms of a malting barley contract
  - Price limit factor = 1.85
- Waxy hulled- Barley having a waxy appearance and an adhering palea and lemma
  - Price limit factor = 1.95
- Waxy hulless- Barley having a waxy appearance and a non-adhering palea and lemma
  - Price limit factor = 2.3
- Hulless- Barley having a non-adhering palea and lemma, not including waxy hulless barley
  - Price limit factor = 1.2
- All Others- All insurable barley other than malting, waxy hulled, waxy hulless, and hulless barley





## Contract Price -- Specialty Type Barley Specifics (2012 CY SPOI)

- You may elect to use the price contained in your production contract (contract price) as your projected price for each specialty type.
- This acreage must be under contract with a business enterprise equipped with facilities appropriate to handle and store specialty type barley production.
- Insured must provide a copy to the insurance company no later than the acreage reporting date. To be considered a contract, the executed document must contain:
  - A requirement that you plant, grow and deliver specialty type barley to the business enterprise
  - The amount of production and/or specified number of acres will be accepted.
  - The price to be paid for the contracted production or a method to determine such price
  - Must clearly indicate the specific specialty type



## Contract Price -- Specialty Type Barley Specifics (2012 CY SPOI)


- If you have more than one contract price for any one specialty type, the price used will be the weighted average of the contract prices.
- Any acreage of specialty barley that isn't under a contract will be valued at the applicable barley projected price.
- Section 9 "Replanting Payments" of the Small Grains Crop Provisions apply to all insurable barley types
- A weighted average price (for the specialty type) will be calculated from all the contracted and non-contracted acreage to produce one projected price
- Prevented Planting: The contract price will be used unless the contract was cancelled prior to (or never provided) the acreage report date, then the projected price will be used



# Decision Time

## Three ways to insure Malting Barley:

1. Under a yield protection policy or revenue protection policy based on a price election published by RMA or calculated in accordance with CEPP.
2. Under a yield protection policy based on a price contained in a production contract (specialty type).
3. Under yield protection or revenue protection ***with added protection*** provided in accordance with the Malting Barley Price and Quality Endorsement (MBPQE). In this case, the prices used to determine the coverage under the Small Grains Crop Provisions are as stated in (1) above, and an additional value price election is determined in accordance with the Endorsement.



# Malting Barley Price and Quality Endorsement

- 2 options – A and B
- Coverage for a higher price (additional value price) and specific quality
- All malting barley acreage in the county insured under this endorsement will be considered as one basic unit regardless of whether such acreage is owned, rented for cash, or rented for a share of the crop. **Will cover specific unit criteria later**
- Acreage which is produced under the terms of a seed contract is not insurable under this endorsement.
- Does not provide prevented planting coverage. The coverage is provided by the Small Grains Policy and is based on the projected price, not a “malt price.”
- Malting Barley Contract – an agreement in writing between the producer and a brewery (e.g.. Coors, Busch, etc.) or a business enterprise that produces or sells malt or malt extract to a brewery (e.g. Great Western Malting, etc.), or a business enterprise owned by such brewery or business.
- Malting Barley Price Agreement – an agreement that meets all conditions required for a malting barley contract except that it is executed with a business enterprise that is not a brewery or doesn't sell malt to a brewery (most local grain handling/storage cooperatives).





# MBPQE Option A

- **For malting barley production, regardless of whether grown under a malting barley contract or malting price agreement.**
- Must provide records of sales of malting barley and the number of acres planted to malting varieties for at least the four crop years in your APH database prior to the crop year immediately preceding the most recent crop year.
- Insurance company must have these records by the production reporting deadline.
- The production guarantee will be the lesser of
  - The production guarantee of the acreage planted to approved malting varieties, OR,
  - The average yield per acre calculated using the actual malt sold divided by the acres planted to approved malt varieties
- A separate APH Database for this option must be established.



## MBPQE Option A continued.....

- The additional value price per bushel for production grown under a malting contract or price agreement will be the sale price established in the contract or agreement minus the projected price for barley.
- If production is not grown under a contract or agreement then the additional value price will be that designated in the actuarial documents.
- Under no circumstance will the additional value price exceed \$1.25 / bu.
- Certain limitations exist on number of bushels that can be insured at the determined additional value price.



# MBPQE Option B

- **For production grown under Malting Barley Contracts only**
- To be eligible for coverage under this option, insured must provide on or before sales closing, for at least one of the three crop years they planted malting barley immediately preceding the previous crop year, documentation that they had a malting barley contract and produced and sold at least 75% of the contracted amount.
- The maximum amount of production that may be insured under Option B will be limited to the lesser of
  - The amount of malting barley contained in the contract or
  - 200 percent of the amount contracted in past year.
- Must provide copy of contracts for current crop on or before the acreage reporting date.



## MBPQE Option B continued.....

- Your production guarantee will be the lesser of
  - The production guarantee for feed barley for acreage planted to malt varieties; or
  - A yield calculated by dividing contracted bushels by the planted acres
- The additional value price per bushel will be the sale price per bushel established in the contract minus the projected price.
- Under no circumstance will the additional value price exceed \$2.00 / bu.





# MBPQE Option B continued.....

- Contract Standards

Production that meets, or would meet if properly handled, standards contained in any applicable malting barley contract or malting barley price agreement or the following quality standards, **whichever is less stringent**:

	Six-rowed Malting Barley	Two-rowed Malting Barley
Protein (dry basis)	14.0% maximum	13.5% maximum
Plump kernels	65.0% minimum	75.0% minimum
Thin kernels	10.0% maximum	10.0% maximum
Germination	95.0% minimum	95.0% minimum
Blight damaged	4.0% maximum	4.0% maximum
Injured by mold	5.0% maximum	5.0% maximum
Mold damaged	0.4% maximum	0.4% maximum
Injured by sprout	1.0% maximum	1.0% maximum
Injured by frost	5.0% maximum	5.0% maximum
Frost damaged	0.4% maximum	0.4% maximum
Mycotoxins	2.0 ppm maximum	2.0 ppm maximum

# Wheat





# Wheat Projected and Harvest Prices

- **Wheat in Idaho, Oregon and Washington:**
- Projected price - The pre-harvest year's average daily settlement price for the projected price discovery period for the harvest year's futures contract, as shown in the table (next slide), rounded to the nearest whole cent
  - ... **plus an adjustment equal to** the current five year average difference between the August average daily settlement price for the nearby CBOT September soft red winter wheat futures contract (rounded to the nearest whole cent) and the August average daily settlement price for the Portland Merchants Exchange soft white wheat contract (rounded to the nearest whole cent).
- Harvest price - The harvest year's average August daily settlement price for the Portland Merchants Exchange soft white wheat contract, rounded to the nearest whole cent.

# Price Discovery Winter & Spring Wheat

WHEAT – September 30 Sales Closing Date in California Intermountain Region Counties ## , Idaho, Oregon and Washington				Projected Price Discovery Period#		Harvest Price Discovery Period**	
State (Type)	Commodity Exchange	Contract Commodity	Contract Month	Beginning Date	Ending Date*	Beginning Date	Ending Date
California Intermountain Region Counties ## (Winter)	CBOT	Wheat	September	Aug 15	Sep 14	Aug 1	Aug 31
California Intermountain Region Counties ## (Spring)	CBOT	Wheat	September	Feb 1	Feb 28	Aug 1	Aug 31
Idaho (Winter)	CBOT	Wheat	September	Aug 15	Sep 14	Aug 1	Aug 31
Idaho (Spring)	CBOT	Wheat	September	Feb 1	Feb 28	Aug 1	Aug 31
Oregon (Winter)	CBOT	Wheat	September	Aug 15	Sep 14	Aug 1	Aug 31
Oregon (Spring)	CBOT	Wheat	September	Feb 1	Feb 28	Aug 1	Aug 31
Washington (Winter)	CBOT	Wheat	September	Aug 15	Sep 14	Aug 1	Aug 31
Washington (Spring)	CBOT	Wheat	September	Feb 1	Feb 28	Aug 1	Aug 31
# Projected Price Discovery Period utilizes the harvest year's average daily settlement price for Spring type coverage.							
## Intermountain Region Counties include Lassen, Modoc, Shasta and Siskiyou Counties.							
*Ending Date (Feb 28) is extended to February 29 in leap years.							
**The Harvest Price is discovered on the Portland Merchants Exchange soft white wheat contract.							



# Price Discovery for **Winter** **Wheat Crop Year 2012** Projected Price

Beginning of crop  
year.....to base  
insurance coverage on

## Daily Prices

### Criteria Selection

Crop Year: 2012  
Commodity: Wheat  
Insurance Plan: Yield Protection  
Type: Winter  
Practice: All  
State: Idaho  
County: Ada

[Select New Criteria](#)

**RMA calculated values are not final until the discovery  
period has ended and the price is approved.**

**Approved Projected Price: \$8.05**


**Daily Ending Market Values**

*Provided by [Barchart.com](http://Barchart.com)*

Exchange: CBOT  
Discovery Period: 8/15/2011 to 9/14/2011

Date	Ending Value	Price <sup>1</sup>
08/15	8.0425	7.8900
08/16	8.1175	7.9300
08/17	8.1750	7.9600
08/18	7.9925	7.9300
08/19	8.1875	7.9500
08/22	8.2150	7.9700
08/23	8.3700	8.0100
08/24	8.3325	8.0300
08/25	8.3925	8.0500
08/26	8.4575	8.0800
08/29	8.5200	8.1000
08/30	8.4850	8.1200
08/31	8.5100	8.1400
09/01	8.2375	8.1400
09/02	8.3350	8.1400
09/06	8.2100	8.1400
09/07	8.2100	8.1300
09/08	8.1125	8.1200
09/09	8.0050	8.1100
09/12	7.9725	8.0900
09/13	7.7525	8.0700
09/14	7.7600	8.0500

(1) Reflects the simple average of the Ending Values, up to the given date, plus an adjustment equal to: -0.1500.



# Winter Wheat

## Winter Coverage Endorsement (WCE)

- Coverage begins on the fall final planting date. Coverage ends on the spring final planting date.
- Whenever any winter wheat or barley is damaged and does not have an adequate stand to produce at least 90 percent of the production guarantee, you have three options:
  1. Continue to care for the damaged crop -- maintain the winter guarantee,
  2. Replant the damaged acreage to an appropriate variety of the crop and receive a replanting payment, and maintain the winter guarantee,
  3. Destroy the remaining crop and accept an appraisal for the damaged that will count against the unit guarantee. (This acreage may be used for any purpose; including planting and separately insuring another crop **[NOTE: 1<sup>st</sup> / 2<sup>nd</sup> Crop Procedure may apply]**); If the acreage is destroyed and planted to a spring type of the same crop, you must;
    - a. Plant with a discernable break,
    - b. For planting, storage, and marketing, keep the spring type separate from the winter type.



# Winter Wheat

- Producer Options If Winter Coverage Endorsement (WCE) Not Elected
  1. Any winter wheat that is damaged before the spring final planting date must be replanted to a winter type of winter barley to maintain insurance based on the winter type unless the insurance company agrees replanting is not practical.
  2. If it is not practical to replant to the winter type but it is to a spring type, you must do so to keep your winter guarantee.
  3. If it was practical to replant winter barley and you still planted a spring type, then the crop will be insured as the spring type.



# Winter Wheat

## **Winter Wheat - Replanting** (without WCE)

A replanting payment may be made to replant failed winter wheat if:

1. An appraisal shows the production potential is less than 90 percent of the production guarantee for the acreage;
2. The replanted acreage is at least 20 acres or 20 percent of the insured planted acreage in the unit; and
3. Damage occurred after the earliest fall final planting date.





# **Spring vs. Fall Price Discovery**

- Most representative of market indications as they are in the spring at the time of planting
- May provide an avenue to consider other markets for other classes of spring wheat
- Can impact the premium because of the volatility factor (shorter time between discovery period and harvest)
- Seeking recommendation from IGPA / OWGL / WAWG for next year's consideration



# Winter Soft vs. Spring Hard

Winter / Soft CBOT / PME basis		
	Proj.	Harv.
2005	\$ 4.01	\$ 3.54
2006	\$ 4.13	\$ 3.97
2007	\$ 4.87	\$ 6.87
2008	\$ 6.27	\$ 8.23
2009	\$ 8.98	\$ 4.89
2010	\$ 5.55	\$ 6.29
2011	\$ 7.12	\$ 6.92
2012	\$ 8.05	??

Spring / Soft * CBOT / PME basis		
	Proj.	Harv.
2005	\$ 3.76	\$ 3.54
2006	\$ 4.47	\$ 3.97
2007	\$ 5.39	\$ 6.87
2008	\$ 10.15	\$ 8.23
2009	\$ 6.10	\$ 4.89
2010	\$ 5.42	\$ 6.29
2011	\$ 9.11	\$ 6.92
2012	TBD	??

\* Theoretical prior to 2011

Fall Disc./ HRS * MGE		
	Proj.	Harv.
2005	\$ 3.82	\$ 3.46
2006	\$ 3.63	\$ 4.57
2007	\$ 4.67	\$ 6.61
2008	\$ 5.92	\$ 8.99
2009	\$ 9.01	\$ 5.57
2010	\$ 5.74	\$ 7.08
2011	\$ 7.11	\$ 8.90
2012	\$ 8.90	??

\* Theoretical in red font

Spring Disc. / HRS MGE		
	Proj.	Harv.
2005	\$ 3.35	\$ 3.46
2006	\$ 4.22	\$ 4.57
2007	\$ 5.23	\$ 6.61
2008	\$ 11.11	\$ 8.99
2009	\$ 6.20	\$ 5.57
2010	\$ 5.43	\$ 7.08
2011	\$ 9.89	\$ 8.90
2012	TBD	??

Need to evaluate the ratio of one to another and calculate the deviation from the average



# **NEW Falling Number Discounts**

- Special thanks to NAWG, FSA and the Regional Wheat Organizations for helping with this change.
  - Falling number determinations must be made in accordance with the Federal Grain Inspection Service Directive that establishes procedures for falling number analysis. Equipment and procedure used to perform what is generally referred to as a 'quick test' are not acceptable.



# Falling Number Discount

- In addition to the quality deficiencies allowed in section 11 (d) of the Small Grains Crop Provisions, the following quality factors for Falling Number will apply:

Hard Red Spring and Durum Wheat will be discounted for falling numbers, regardless of U.S. grade designation as follows:

299-250	0.091
249-200	0.181
199-150	0.272
149 and below	0.272 + 0.004 for each falling number

Soft White Wheat will be discounted for falling numbers, regardless of U.S. grade designation as follows:

299-200	0.054
199-0	0.181



# **Falling Number Discount**

- However, when production with sprout damage is discounted in this Falling Number Discount Table, the production is not eligible for any further sprout damage discount in the Damage Discount Table





# Falling Number Discount

Q. How were our discounts determined?

A. The FSA Discounts/ bushel were divided by the ten year national average loan rate to arrive at a Discount factor like we do for all the other discounts.

National average loan rate is \$ 2.74/ bu.

FSA discounts the dollar amount i.e. (50 cents)

RMA discounts the bushels with a factor based on the same chart as FSA.



# Farm Stored Production

## Pack Factor Issues

New since the 2010 crop year:

...In addition to complying with the notice requirements, you must submit a claim for indemnity declaring the amount of your loss:

Not later than 60 days after the end of the insurance period **unless, prior to the end of the 60 day period**, you:

Have harvested farm-stored grain production and **elect, in writing, to delay measurement** of your farm-stored production and settlement of any potential associated claim for indemnity (Extensions will be granted for this purpose **up to 180 days** after the end of the insurance period).



# CRP Coming Out?

- Insurance is provided for acreage that has been released from CRP, provided the acreage was in the program for at least two of the three previous crop years.
- Acreage must be properly prepared for planting.
- Insured's production guarantee for acreage emerging from CRP may be based on acceptable production history for the year(s) the crop was grown on such acreage prior to enrollment in CRP.



# CRP Coming Out?

- If the insured does not provide acceptable records for the acreage, the insurance guarantee may be based upon transitional yields.
- If the CRP acreage (field 1) was previously a part of the insured's farming operation and field 1 is now a part of an existing unit, the approved APH yield for the existing unit will also apply to the CRP acreage (field 1).
- If the insured purchases, cash leases, or share rents additional CRP land, the insured may qualify for a yield determined in accordance with RMA's added land procedures.

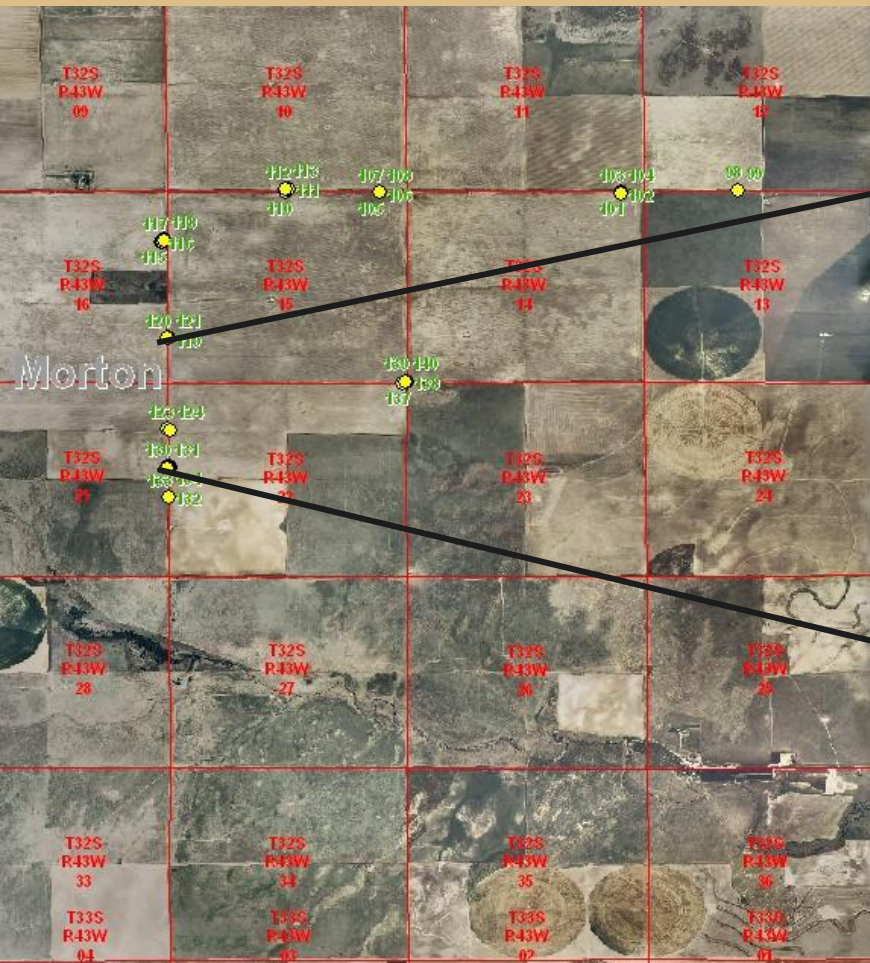


# Good Farming Practices

- **Good farming practices - The production methods** utilized to produce the insured crop and allow it to make normal progress toward maturity and produce at least the yield used to determine the production guarantee or amount of insurance,...
- ...for conventional or sustainable farming practices, those generally recognized by agricultural experts for the area...
- ...added provisions to clarify that an uninsured crop includes any that is a type, class or variety not generally recognized for the area, or anywhere the conditions under which the crop is planted are not generally recognized for the area.
- Producers who plant for crop insurance hurt everyone.
- Hotline and anonymous means to report
- RMA is using GIS and Satellite Technology



# Good Farming Practices





# USDA Risk Management Agency

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**[www.rma.usda.gov](http://www.rma.usda.gov)**

